

NORTH WEST LOCAL COUNCIL RATE APPLICATIONS APPROVED

3 June 2014

The Independent Pricing and Regulatory Tribunal (IPART) has approved applications from Armidale Dumaresq Council, Glen Innes Severn Council, Guyra Shire Council, Liverpool Plains Shire Council and Tenterfield Shire Council to increase general income above the rate peg from 1 July 2014.

The 5 councils in the north-west region are among 32 councils across NSW that made a special variation application to increase rates for 2014/15. Twenty-eight applications were approved in full, 1 was declined and 3 applications were partially approved.

Including the rate peg of 2.3%, Armidale Dumaresq Council will be able to increase general income by 12.3% from 1 July 2014 and to maintain this increase for 7 years. IPART has also approved Glen Innes Severn Council's application for three consecutive increases of 11.21% (2014/15), 10.02% (2015/16) and 5.59% (2016/17), including the rate peg, to be maintained permanently.

Guyra Shire Council has received approval for a permanent 8% increase, including the rate peg, from 1 July 2014 to replace an existing special variation. Liverpool Plains Shire Council will be able to replace an existing temporary special variation of 6.5% with a one-off permanent 12.5% increase including the rate peg.

IPART has also approved Tenterfield Shire Council's application for an increase of 15% in 2014/15, followed by 10% increases in each of the next 3 years. These increases include the rate peg and will be maintained permanently.

In approving each councils' application, IPART has imposed conditions requiring that the additional income be used for the purposes outlined in their applications, and that each council report to the community each year while the special variation is in place on the outcomes achieved.

IPART Chairman Peter Boxall said special variations are designed to give councils the flexibility to generate additional income above the rate peg to meet their specific needs, with an independent assessment process to approve the increase.

Applications are assessed by IPART against the NSW Government's published criteria, with submissions received directly from ratepayers, community groups, business groups and ratepayer associations also considered.

"All of these councils were able to meet the criteria for approval of the special variation by demonstrating a clear need for the additional revenue, that they had appropriately engaged the community about the proposed rate increases, and that they are taking steps to improve productivity and contain costs," he said.

“In making these assessments, we have considered each council’s long term financial plan, taking into account the financial need of the council and the capacity and willingness of ratepayers to pay the requested increase.

Although some communities were divided about the increases, the councils have demonstrated that they have provided opportunity for input, weighed up community concerns against alternatives to the increases sought, and that they have considered the impact on ratepayers.

In the cases of Armidale Dumaresq, Glen Innes Severn and Liverpool Plains councils, the original proposals were amended to address community concerns prior to the applications being lodged with IPART,” Dr Boxall said.

Through the rate peg and special variation process, IPART determines the increases to councils’ general income. Councils decide how to allocate the increase among all their different ratepayer categories, such as residential, business, farmland and mining.

Armidale Dumaresq Council

Armidale Dumaresq Council applied to temporarily increase its general income by 12.3%, including the rate peg, for the period from 2014/15 to 2020/21. This will generate an additional \$9.8 million above the rate peg over the next 7 years to renew community assets including \$5.1m for roads, \$2.7m for stormwater and drainage and \$1m each to upgrade recreation facilities and council buildings.

“Based on the Council’s application, we estimate that average ordinary rates across the city will increase by between \$97 (residential) and \$553 (business) in 2014/15,” Dr Boxall said.

“While these increases will impact on the community, we believe they are reasonable under the criteria, given the clear need for the increased income, rising individual and household incomes in the region, the temporary nature of the increase and the availability of both pensioner rebates and a hardship policy.”

Dr Boxall also noted that the Council had considered the community’s concerns about affordability by revising its application from a 20% increase to a 12.3% total increase.

Glen Innes Severn Council

Glen Innes Severn Council will be able to increase rates by a cumulative 29.2% including the rate peg over the next 3 years, and to permanently keep this increase following IPART’s approval. The decision enables the Council to generate an extra \$8.6 million over the next 9 years, with the bulk to be spent on roads and bridges.

“This additional income is clearly needed given the Council’s financial position and backlog in road maintenance, but these increases are significant, particularly for farmers whose average ordinary rates will increase by \$251 next year alone,” Dr Boxall said.

“But with farmland rates still 29% below the regional average, average residential rates 10% higher and concerns about the capacity of residential ratepayers to pay, there is merit in the council’s decision to increase farmland rates by more.”

In approving the application, IPART has urged the council to apply its hardship policy more leniently for those with limited capacity to pay.

Guyra Shire Council

Rates in Guyra Shire are likely to increase broadly in line with the statewide rate peg of 2.3%, despite the Council receiving approval to continue its existing special variation and to incorporate it permanently into its general income.

Residents felt the impact of the rate increase in 2009/10 when the special variation was first approved which means that residential rate increases in 2014/15 will be limited to around \$12. While business and mining rates will go up by the rate peg, residential rates will increase by 1.9% and farmland rates by 1.4% on average.

“Following our approval, Council is able to generate an additional \$1.58m over the next 10 years than would have been possible under the rate peg, and to use those funds to improve roads and drainage,” Dr Boxall said.

“With a small rates base and limited alternative revenue sources, the need for the additional income to renew local infrastructure and improve the Council’s financial sustainability is warranted.”

Liverpool Plains Shire Council

Liverpool Plains Shire Council’s application to replace an expiring temporary special variation of 6.5% with a new permanent special variation of 12.5% including the rate peg has been approved in full.

“The Council is now able to adopt a budget including the special variation that will generate an additional \$6.9m above the rate peg, over 10 years,” Dr Boxall said.

“This will enable the current program of capital works on roads and other infrastructure to continue, and provide new funding to reduce works backlogs and improve the council’s financial sustainability.

“Because this special variation replaces an existing variation, the impact on average ordinary residential rates across the shire will be relatively modest at \$33, including the rate peg in 2014/15, while farmland rates will increase by \$210.”

IPART noted that the Council has a reasonable hardship policy to assist ratepayers having difficulties paying their rates.

Tenterfield Shire Council

Tenterfield Shire Council's low rating base, weak financial position and maintenance backlog were considered alongside affordability concerns in IPART's assessment of the council's application to increase general income by a cumulative 53.07%, including the rate peg, over the next four years.

"We are conscious that our decision to approve the increase in general income by 15% including the rate peg in 2014/15, followed by further 10% increases in each of the next 3 years, is among the biggest percentage increases in NSW," Dr Boxall said.

"But while the percentage is high, rates will remain lower than those in neighbouring council areas, rising by between \$71 and \$122 in 2014/15, and the council's financial position will be strengthened with an extra \$10m over the next 10 years for investment in roads and other infrastructure.

"Although these increases are significant, we have determined that they are reasonable under the criteria given current rates are low, and encourage anyone facing difficulties to access Council's hardship policy."

The full reports on each council's application are available on the IPART website at www.ipart.nsw.gov.au.

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North-west councils – Special rate variation summary

Council	Increase in 2014/15 (including rate peg)	Residential rates \$ increase 2014/15	Summary of reasons	Total cumulative increase (including rate peg)
Armidale Dumaresq Single increase in 2014/15 retained temporarily for 7 years.	12.3%	\$97.00	To address \$2.1m shortfall for asset renewals (mainly roads, drainage and amenities).	12.3%
Glen Innes Severn Increases over 3 years retained permanently	11.21%	\$78.00	To ensure financial sustainability and address deteriorating assets.	29.2%
Guyra Single increase in 2014/15 retained permanently	8%	\$12.00	To replace an expiring SV for asset renewal and maintenance.	8%
Liverpool Plains	12.5%	\$33	To ensure financial sustainability and	12.5%

Single increase in 2014/15 retained permanently			address deteriorating assets.	
Tenterfield Increases over 4 years retained permanently	15%	\$71	To fund interest expense and a program of capital works.	53.07%